

Message Text

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PAGE 01 BAGHDA 00255 111324Z

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ACTION EB-07

INFO OCT-01 NEA-09 IO-10 ISO-00 COME-00 CIAE-00 INR-07

NSAE-00 /034 W

----- 122485

R 081250Z MAR 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 1739

USMISSION USUN NEW YORK

INFO AMEMBASSY BEIRUT

UNCLAS BAGHDAD 255

E.O. 11652: N/A

TAGS: EIND, IZ

SUBJECT: IRAQ'S NEED FOR COST INDEX FORMULA FOR MAJOR PROJECTS

1. UNTIL RECENTLY ALL MINISTRIES AND GOI-CONTROLLED INDUSTRIES INSISTED RIGIDLY ON FIXED PRICE BIDS BY FOREIGN CONTRACTORS AND SUPPLIERS FOR MAJOR PROJECTS. USINT AND OTHER WESTERN EMBASSIES IN BAGHDAD HAVE HOWEVER BEGUN TO NOTICE GENERAL SOFTENING OF THIS POSITION, MAINLY BECAUSE SO MANY PROJECTS WERE GOING UNBID OR FIXED PRICE BIDS WERE GROSSLY INFLATED.

2. GOI AGENCIES STILL LONG WAY FROM ACCEPTING COST-PLUS-BEST-EFFORTS SEEN BY MANY US FIRMS AS IDEAL HEDGE AGAINST INFLATION (ONLY KNOWN COST-PLUS CONTRACT IS WITH YUGOSLAVS FOR NEW BAATH PARTY HEADQUARTERS).

3. HOWEVER, AGENCIES ARE SHOWING INCREASING INTEREST IN LEARNING ABOUT GENERAL FORMULAS (IF THERE ARE ANY) WHICH INCLUDE EXPLICIT INDICES FOR PRICES OF TRANSPORTATION, RAW MATERIALS, CAPITAL EQUIPMENT, ETC. DESIRED QUALITIS OF SUCH FURMULA IS THAT IT BE OBJECTIVE, IMPERSONAL, FAIR TO BOTH PARTIES AND WIDELY ACCEPTED INTERNATIONALLY. WIDESPREAD USE OF SUCH INDEXING SYSTEM BY GOI WOULD GREATLY ENHANCE US COMPANY CHANCES TO WIN MAJOR IRAQI CONTRACTS.

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4. ACTION REQUESTED: (A) DEPARTMENT ADVISE WHETHER ONE OR MORE SUCH FORMULAS BEING WIDELY USED BY US FIRMS BIDDING ON INTERNATIONAL PROJECTS; (B) HAS UN OR OTHER INTERNATIONAL BODY STANDARDIZED ON ONE OR MORE SUCH FORMULAS? PLEASE SEND USINT RELATED PAPERS OR MONOGRAPHS WHICH WE WILL PASS TO APPROPRIATE GOI BODIES.
LOWRIE

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NNN

Message Attributes

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